



10/25/05

FINAL PASSAGE

SB 633 (Cassis)
SB 634 (Cassis)
HB 4972 (Steil)
HB 4980 (Jones)
HB 5095 (CONDINO)
HB 5096 (Sheen)
HB 5097 (Sheen)
HB 5098 (CONDINO)
HB 5106 (CONDINO)
HB 5107 (CONDINO)
HB 5108 (Sheen) -- Main Bill in the Package

- After the Democrats objected to having all of the bills on General Orders read for a 3rd time, Sen. Sikkema moved to “Call of the Senate,” forcing all senators to be physically present for the remainder of session. This resulted in all of the bills being read, word-for-word.

SENATE REPUBLICAN SBT PLAN

Support: Michigan Chamber of Commerce, Insurance Institute of Michigan, National Federation of Independent Business, Small Business Association of Michigan, Detroit Regional Chamber, Michigan Bankers Association, Coalition for Tax Relief and Jobs (Michigan Association of Home Builders, Michigan Association of Insurance Agents, Freedom Works, Michigan Business & Professional Association, Car and Truck Rental and Leasing Association of Michigan, Life Insurance Association of Michigan, Auto-Owners Insurance, and Michigan Insurance Coalition).

SB 633 would lower the single business tax rate from the current level of 1.9% to 1.8% in 2007, 1.7% in 2008, and 1.6% in 2009. These tax rate reductions would reduce single business tax revenue by an estimated \$79 million in 2006-07, \$189 million in 2007-08, and \$306 million in 2008-09. Also, under current law, the single business tax is scheduled to be repealed effective for tax years that begin after 2009. The bill would eliminate this repeal; instead, the tax rate would continue to be reduced by .1 percentage point each calendar year until it would fall to zero in 2025.

- Committee 1 (S-1) was defeated.
- Cassis 2 (S-2) was adopted.
- Cassis 2A (5 amends) was adopted.
- SB 633 was moved to 3rd Reading.

- SB 633 passed [RC 510: 22 yes, 16 no].

SB 634 would change the SBT tax base to 100% sales. The tax base of the SBT is currently comprised of 90% sales in Michigan, 5% payroll, and 5% property. The bill would benefit companies with payroll in Michigan, and out-of-state sales (such as Ford, GM). The bill would raise the taxes on companies from out-of-state which sell in Michigan, but which do not have significant payroll or property in Michigan. While that sounds like good policy, it will cost the state \$40 million, according to Treasury.

- Committee 1 (S-1) was defeated.
- Cassis 2 (S-2) was adopted.
- SB 634 was moved to 3rd Reading.
- SB 634 passed [RC 511: 23 yes, 15 no].

HB 4972 would create a personal property (i.e., business equipment) tax credit ranging from 20-50%, depending upon the year in which the machinery was purchased. There is also a renewed credit available if certain consensus revenue estimates are reached. This is the bill designed to help manufacturers with their primary concern, the personal property tax. The bill would reduce SBT revenue by an estimated \$757.8 million between 2006 and 2010.

- Cassis 1 (S-1) was adopted.
- HB 4972 was moved to 3rd Reading.
- HB 4972 passed [RC 512: 22 yes, 16 no]. Immediate Effect was defeated [RC 513: 22 yes, 16 no]. Sen. THOMAS: This bill does not provide the immediate and needed tax cut for manufacturers. The Granholm pro-manufacturing tax plan is better for Michigan companies, like Delphi, GM, Ford, etc.

HB 4980 would eliminate the exemption provided for the sale of tangible personal property to inmates in a penal or correctional institution.

- Cassis 1 (S-1) was adopted.
- HB 4980 was moved to 3rd Reading.
- HB 4980 passed with IE [RC 518: 35 yes, 1 no].

HB 5095 would change state revenue sharing law, generally speaking, to return to the penalty system for unpaid taxes that existed prior to 2002, and establish an out-of-state affiliate standard. It is hoped that this bill will raise \$10 million in SBT revenue, and \$15 million in use tax revenue from out-of-state companies.

- Cassis 1 (S-1) was adopted.
- Cassis 1A (6 amends) was adopted. Changes effective date.
- HB 5095 was moved to 3rd Reading.
- HB 5095 passed [RC 523: 21 yes, 16 no]. Immediate Effect was defeated [RC 524: 21 yes, 15 no].

HB 5096 would impose the new specific tax on commercial rental property. Under the bill, local assessors each year would be required to determine the value and adjusted taxable value of a parcel of commercial rental property by December 31. Property would be assessed at 50 percent of its true cash value

- Cassis 1 (S-2) was adopted.
- HB 5096 was moved to 3rd Reading.
- HB 5096 passed [RC 527: 20 yes, 17 no]. Immediate Effect was defeated [RC 528: 20 yes, 17 no].

HB 5097 would exempt commercial rental property beginning December 31, 2005. The bill would exempt commercial rental property from the general property tax. Property owners would have to file an affidavit with the local tax collecting unit before December 31 with the local tax collecting unit. Property owners would also be required to file a form rescinding the exemption within 90 days of when that property is no longer considered to be commercial rental property. Failure to file a rescission would be a penalty of \$5 per day, up to \$200, for each day after the 90-day period. The penalty would be deposited in the School Aid Fund.

- Cassis 1 (S-2) was adopted.
- HB 5097 was moved to 3rd Reading.
- HB 5097 passed with IE [RC 525: 20 yes, 17 no]. Immediate Effect was defeated [RC 526: 20 yes, 17 no].

HB 5098 would raise the amount that a small business can pay a partner/shareholder from \$115,000 to 175,000 and still qualify for the lower SBT rate (effective 1/1/07). The bill lowers the small business tax rate from 2.0 to 1.4% in .2% increments, starting in 2008.

- Cassis 1 (S-2) was adopted.
- HB 5098 was moved to 3rd Reading.
- Garcia 1 (6 amends) was adopted [no RC].
- HB 5098 passed [RC 514: 22 yes, 16 no]. Immediate Effect was defeated [RC 515: 24 yes, 14 no].

HB 5106 would eliminate a sales tax exemption related to driver's education vehicles. This would increase sales and use tax revenue by an estimated \$.7 million.

- Cassis 1 (S-1) was adopted.
- HB 5106 was moved to 3rd Reading.
- HB 5106 passed [RC 518: 21 yes, 16 no]. Immediate Effect was defeated [RC 519: 20 yes, 17 no].

HB 5107 would eliminate the exemption for the use of wide area telecommunication service or similar service, an interstate private network and related usage charges, and international calls (inbound or outbound). These telecommunication services would be taxed in the same manner as interstate telephone communications. The bill would also increase the state's jurisdiction over companies that do business in Michigan, but which currently don't pay any taxes. This raises \$14.1 million in revenue.

- Cassis 1 (S-2) was adopted.
- HB 5107 was moved to 3rd Reading.
- HB 5107 passed [RC 520: 20 yes, 17 no]. Immediate Effect was defeated [RC 521: 20 yes, 17 no].

HB 5108 would: 1) Completely phase out the health care add-back. 2) Reduce the standard rate by up to 0.4 percent point. 3) Reduce the gross receipts reduction (which increases the tax base). 4) Reduce the excess compensation reduction (which increases the tax base). 5) Create a credit based on taxes paid on industrial personal property. HB 5108 would cut business taxes by: \$138.9 million in 2005, \$209.2 million in 2006, \$298.0 million in 2007, \$325.6 million in 2008, \$336.6 million in 2009, for a combined total of \$1,308.2 million over the next five years.

- Cassis 1 (S-1) was adopted.
- Cassis 1A (4 amends) was defeated.
- Cassis 1B (5 amends) was defeated. Additional state revenues would go to tax breaks and to the Rainy Day Fund.
- Cassis 1C (4 amends) was defeated. Additional state revenues would go to tax breaks.

- HB 5108 was moved to 3rd Reading.
- Cassis 1 (4 amends) was withdrawn.
- HB 5108 passed [RC 516: 21 yes, 16 no]. Immediate Effect was defeated [RC 517: 21 yes, 15 no].

THIRD READING

HB 5253 (Acciavatti)

HB 5253 would remove the distribution formula located in current revenue sharing law so every city, village, and township would receive the same amount in revenue sharing as distributed in 2004-05. The bill also contains provisions that would ensure a uniform percentage reduction for each city, village, and township, if actual sales tax revenue and, therefore, revenue sharing payments are below the August 2005 state consensus revenue estimate.

- HB 5253 was moved to 3rd Reading. No amendments.